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July 23, 2004

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, MA 02110

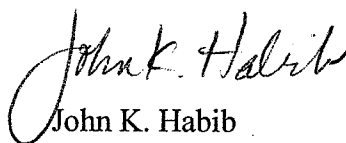
RE: Investigation Regarding the Assignment of Interstate Pipeline Capacity Pursuant to D.T.E. 98-32-B, D.T.E. 04-1

Dear Ms. Cottrell:

Please find attached the responses of NSTAR Gas Company (the "Company") to the information requests of the Department of Telecommunications and Energy (the "Department") in the above-referenced proceeding listed on the accompanying page.

If you have any questions regarding this filing, please do not hesitate to contact me.

Sincerely,

  
John K. Habib

Enclosures

cc: Service List  
James Daly  
Kerry Britland  
Tam Ly

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**Responses to Information Requests Filed Herewith**

DTE-2-2

DTE-3-1

DTE-3-2

DTE-3-3

Information Request DTE-2-2

Please provide a discussion of other potential implications, besides commodity costs addressed in the previous Information Request, of a shift to the path-based capacity-assignment standard.

Response

If the path approach is adopted as the capacity assignment standard in Massachusetts, there is a slight risk to both marketers and LDCs arising from a loss of supply diversity. For marketers, this risk may be greater because they could be reliant upon a single production zone for all of their gas attributable to capacity eligible transportation customers (at the current level of customer participation). For LDCs, the risk also arises from the potential loss of production zones from their portfolios, with the risk increasing if customer migration were to increase to the point where access to several production zones is lost.

In addition, any decision to shift to the path approach will have to address the allocation of storage, peaking and company-managed supply in addition to transportation capacity. All of these other sources of supply have fixed and variable costs that would have to be addressed in a manner that avoids unfair cost shifting.

For example, the Company currently releases three different Texas Eastern storage contracts to marketers due to differences in the operational parameters of each of the contracts. A determination would have to be made regarding whether a shift to the path approach would require the Company to release a single Texas Eastern storage contract and develop a methodology to keep marketers and sales customer indifferent as to the operational differences or if the Company would continue to release all three contracts. As another example, the Company purchases Canadian gas supply that is delivered on the Tennessee Gas Pipeline. Each marketer currently purchases their slice of this gas supply as company-managed supply. A determination would have to be made as to whether or not the shift to the path approach would eliminate this company-managed supply source in favor of a financial true-up. These individual examples highlight the level of complexity inherent in the conversion to the path approach. The Company requests that if the Department decides to shift to the path approach, the Company be given the opportunity to develop a comprehensive proposal that addresses the application of the path approach to its supply portfolio.

Information Request DTE-3-1

All parties should comment on whether § 12.3.2 of the model Terms and Conditions presently requires LDCs to provide to marketers the baseload and temperature sensitive algorithms used for non-daily metered customers. If your position is that the section does not require LDCs to provide the algorithms, discuss the specific information this section requires the LDCs to provide and whether the model Terms and Conditions should be amended to provide the algorithms. Each LDC should include in its comments the current practice by the LDC on providing the algorithms to marketers.

Response

Section 12.3.2 of the model Terms and Conditions does not explicitly require that LDCs provide algorithms to marketers. Section 12.3.2 requires that LDCs provide forecasted Adjusted Target Volumes to suppliers, and further states that "Information on the consumption algorithm shall be posted on the Company's Website as identified in Section 23.0". However, NSTAR Gas provides marketers with algorithms upon request. The Company would not be opposed to an amendment to the model Terms and Conditions requiring that LDCs provide algorithms, but would prefer that any such amendment only require that algorithms be provided upon request.

Information Request DTE-3-2

Some marketers state that modifying the Model Terms and Conditions to require true-ups of actual versus delivered volumes on a monthly basis will encourage more accurate forecasting and lower costs for all participants. In this regard, please:

- (A) discuss whether you agree with the statement;
- (B) discuss any potential problems to implementing monthly true-ups instead of semi-annual true-ups; and
- (C) address whether monthly true ups would address or minimize the need to adjust the algorithms for temperature sensitive usage? If not, please discuss how the data could be made more accurate.

Response

NSTAR Gas already performs monthly true-ups of weather-related differences between actual and delivered volumes. These true-ups are calculated monthly based on the difference between forecasted and actual degree-days.

- (A) As shown in the table below, NSTAR Gas's algorithms historically have been very accurate. Given this accuracy, and the fact that the Company already true-ups weather related differences, the Company does not agree with the marketers' statements.

Date Ranges	NonTelemetered		Variance between Deliveries and NonTelemetered Usage
	Customer's Actual Usage	Recalculated Forecast (ATV)	
May, 2001 - April, 2004	9,061,020	8,843,375	-2%
Nov, 2001 - April, 2004	8,370,843	8,249,668	-1%
May, 2002 - April, 2004	6,246,098	6,148,460	-2%
Nov, 2002 - April, 2004	5,402,712	5,297,918	-2%
May, 2003 - April, 2004	3,040,443	2,967,388	-2%
<b>Nov, 2003 - April, 2004</b>	<b>2,293,916</b>	<b>2,217,690</b>	<b>-3%</b>

- (B) The true-ups are conducted on an individual customer basis because non-daily metered customers are read and billed on a cycle basis at various times during the month. It would be administratively burdensome to perform these true-ups on a monthly basis.

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Person Responsible: James Daly  
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- (C) As stated above, the Company already performs true-ups of weather related differences. As shown in the table above, the Company's algorithms are already very accurate. Therefore, there is no compelling reason to believe that a change to monthly true-ups would result in a meaningful gain in accuracy.

Information Request DTE-3-3

Should the Terms and Conditions concerning holiday nomination deadlines be modified to synchronize the nomination schedule over holiday periods with current gas supply industry practice in Massachusetts? Alternatively, does the term “best efforts” by the LDCs as referred to in §11.3.3 and §12.3.4 of the Terms and Conditions need further definition to standardize the practices among Massachusetts LDCs? Discuss whether a clarification to the Terms and Conditions that equates the LDCs “best efforts” as referred to in §11.3.3 and §12.3.4 with industry-standard trading and nomination schedules for holidays and weekends would satisfy the marketers’ concerns regarding non-standardization of nomination schedules.

Response

The current industry practice under North American Energy Standards Board (“NAESB”) rules allows for 2 late day-ahead and 2 intra-day nomination cycles after the initial timely nomination cycle has passed. NSTAR Gas’s nomination standards are more lenient than the NAESB standards. In practice, NSTAR Gas will accept intra-day nominations after the final NAESB intra-day nomination deadline has passed, 365 days a year. Given the foregoing, an amendment to the model Terms and Conditions requiring compliance with NAESB standards would be acceptable to the Company.